


**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: JAN 18 2008

SUBJECT: Fiscal Impact Statement: "District of Columbia Government Comprehensive Merit Personnel Act of 1978 Vesting Amendment of 2008"

REFERENCE: Draft legislation¹ – No bill number available

Conclusion

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation. Implementation of the proposed legislation would not have an impact on the budget and financial plan, as estimated annual employee forfeitures from the 401(a) Defined Contribution Pension Plan are not included in the budget and financial plan. However, it is estimated that implementation of the proposed legislation would reduce employee forfeitures—which represent unbudgeted revenues for the District—by approximately \$850,000 in FY 2008 and \$5.2 million over the FY 2008 through FY 2011 period.

Background

The proposed legislation would amend the District of Columbia Government Comprehensive Merit Personnel Act of 1978² to replace the present vesting policy requiring employees to have five years of creditable service with the District before

¹ This fiscal impact statement is based on draft legislation submitted to the Office of Revenue Analysis, Office of the Chief Financial Officer, on Friday, January 11, 2008.

² Effective March 3, 1979. D.C. Law 2-139; D.C. Official Code § 1-601.01, et seq.

vesting in any contributions the District has placed into the District's 401(a) Defined Contribution Pension Plan with a graded vesting policy as shown below.

Years of Creditable Service	Vested Percentage— <i>Current Law</i>	Vested Percentage— <i>Proposed Legislation</i>
Less than 2	0%	0%
2	0%	20%
3	0%	40%
4	0%	60%
5 or more	100%	100%

Financial Plan Impact

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation. Implementation of the proposed legislation would not have an impact on the budget and financial plan, as estimated annual employee forfeitures from the 401(a) Defined Contribution Pension Plan are not included in the budget and financial plan. However, it is estimated that implementation of the proposed legislation would reduce employee forfeitures—which represent unbudgeted revenues for the District—by approximately \$850,000 in FY 2008 and \$5.2 million over the FY 2008 through FY 2011 period.

Estimated Reduction in Unbudgeted Revenues Under Proposed Legislation				
FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
\$847,933	\$1.45m	\$1.45m	\$1.45m	\$5.21m

Assumptions and further clarification:

- Assumes an implementation date of March 1, 2008.
- Assumes that annual forfeitures under current law would be approximately \$4.6m per fiscal year, and that annual forfeitures would be reduced by an average of 31.6% per fiscal year under the proposed legislation.